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**GEPL
CAPITAL**

Initiating Coverage

J KUMAR INFRAPROJECTS LTD

A PLAY ON GROWING URBAN CONNECTIVITY



Equity | India | Infrastructure

Jan 24, 2023

Jan 24, 2023

Market Info (as on Jan 23, 2023)

BSE Sensex	60,941
Nifty S&P	18,118

Stock Detail

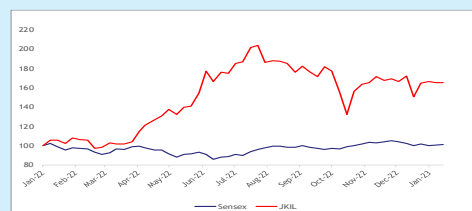
BSE Group	B
BSE Code	532940
NSE Code	JKIL
Bloomberg Code	JKIL:IN
Market Cap (INR Cr.)	2050
Free Float (%)	53.36%
52wk Hi/Lo	352 / 152
Avg. 20 Day Volume (NSE)	1,31,668
Face Value (INR)/ D. Yield (%)	05 / 1.09
Total Paid Up Eq. Shares (Mn.)	75.66

Promoters	Public	Others
46.64	53.36	—

Financial Snapshot

Particular	FY22	FY23E	FY24E	FY25E
Net Sales	3,527	4,092	4,705	5,270
EBITDA	505	585	682	780
PAT	206	259	289	328
EPS	27.2	34.3	38.1	43.3
ROE (%)	10%	12%	12%	12%
ROCE (%)	18%	20%	20%	20%
P/E	7.7	7.9	7.1	6.3
EV/EBITDA	5.8	4.3	3.7	3.4

Relative Share Price Performance



Rel. Perf.	1Mth	3 Mths	6Mths	1Yr
JKIL (%)	1.2	23.3	(17.9)	55.9
Sensex (%)	1.1	1.8	9.0	3.2

Mr. Harshad D. Gadekar, Research Analyst
 harshadgadekar@geplcapital.com
 +91-22-66142685

Mr. Dibandu Maji, Associate Analyst

Summary

We Initiate Coverage on J. Kumar Infraprojects Ltd ('JKIL') with a 'BUY' rating and target Price of INR 339 based on PE multiple of 8(x) to FY25E EPS, implying 28% upside. JKIL is an leading infrastructure player based in Mumbai founded by Mr. Jagdish kumar Gupta, (Executive Chairman). JKIL operating with lower gearing (0.2) and operating margins of 15% of has successfully transformed its order book composition to Metro projects (56%) from Roads and Highways back in FY13-FY15. Maharashtra constitutes 66% of total order book.

At present with a order book of Rs 11,439 Cr (2.8 x times TTM sales) aims to bid for Rs 70,000 Cr of projects in upcoming 5-6 months. Company is committed to maintain EBITDA margins of 14%-15%. We believe, Govt's thrust on urban connectivity through various initiatives to offer sizable opportunities for JKIL. Net Income of Rs 328 cr is estimated for FY25E. We Applied a PE multiple of 8(x) (22% discount to 10 yr. Med) to FY25E EPS and arrive at a per share value of Rs. 339.

Investment Rationale

Rs 80,000 Cr Opportunity for Civil Construction Entities in Metro Segment.

Currently, India's operational metro rail network stands at 746 Km in 2022, and it is expected to grow 2.7(x) at 1900-2000 Km by FY2027E. JKIL, being prominent player in Metro projects has trackrecord of Timely execution with operational know-how for underground and elevated metro projects. Company is one of the top 5 EPC players eligible to undertake underground metro projects. It has one the highest TBM (Tunnel boring machine) in India, helps company to less rely on outsourcing boring operation.

Healthy Balance Sheet to Undertake Aggressive Execution.

Balance sheet cleanliness is strongly appreciated factor in Infrastructure space, JKIL's capital structure is well funded on equity (53%), while dependence on long term debt is lower (2%) due to robust cash flows from operating activities, The CFO/PAT ratio from FY15 to FY22 has stayed healthy at 163%. Its overall gearing (debt to Equity) as of FY22 stood at 0.22(x). We believe, given this under-constrained positioning, JKIL is able to undertake any aggressive execution of projects.

JKIL to bid Rs 70,000 Cr of projects, Aims to have \$1 Bn topline by FY27.

JKIL's order book of Rs 11,437 Cr has improved by only 4% between Q1FY21 to Q2FY23. however its revenue grew from Rs 2571 Cr in FY21 to Rs 4087 Cr on TTM basis due to higher Bill to book ratio from 23% to 29%. Management has guided to bid Rs 70,000 Cr of projects in upcoming 5-6 months in order to walk on the aim of becoming \$1 Bn topline by 2027. we expect, opportunities in urban connectivity/ Infrastructure shall help company to achieves the same.

Positioned as a Re-rating Candidate

We estimate JKIL to report 17% CAGR in EPS over FY23E-FY25E period backed by improved bill to book ratio and higher order gains. JKIL trades at a forward Price to earnings of 6.25(x), (37% discount to 10 yr Median PE). The forward PEG ratio arrives at 0.45 (x) signifying undervaluation. We expect a re-rating in JKIL valuations on back for earnings growth, lower Debt to Equity, Industry median operating margins and demonstrated working trackrecord in Metro, Road & highways space.

Company Profile

J Kumar Infraprojects is a leading infrastructure company based in Mumbai. The company has developed a niche in construction of Urban Infra Projects including Metros, Flyover, bridges etc. It is renowned for undertaking design and construction projects on a turnkey basis meeting their clients' requirements to effect. The company is focused on EPC projects, having strong foothold in various sectors like Urban Infrastructure, Transportation Engineering, Piling & Civil Construction etc.

- Incorporation year: 1999
- Chairman: Mr. Jagdish Kumar Gupta
- Managing Director: Mr. Kamal J Gupta, Dr. Nalin J Gupta
- Company Secretary: Mrs. Poornima Reddy
- Head Office: Mumbai, Maharashtra, India
- No. of Employees: 7000
- Auditor: Todi Tulsyan & Co.

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KEY TRIGGERS FOR JKIL

1. SUSTAINABLE GROWTH BACKED BY ROBUST INFRASTRUCTURE OUTLOOK

Infrastructure outlay of Union Budget FY22 was at Rs 5 Trn and is expected to reach Rs 7 trn in upcoming budget FY23. Urban infrastructure is at core in infrastructure while embryonic stage of Indian metros provides sustainable growth for JKIL. A 2.68(x) growth is expected in operational metro by 2027E (s: ICRA). JKIL has also operations in flyover & highways which also forms 19% of NIIP (National Infrastructure Pipeline).

2. REVENUE VISIBILITY FOR JKIL

Company has INR -11,400 Cr. Works in had as of Sep-22, which is 2.8 (x) of TTM top line., provides better revenue visibility. The order book is comprised of Metro 55%, Flyover, bridges 33%, Civil& other 2% and Water 10%. Albeit the order book is concentrated in Maharashtra 70%, Delhi 22%, 7% Gujarat and 1% UP. We believe along with sufficient current order book, JKIL could surprise with newer order book from its aforementioned diversification plans to bid for Rs 70,000 Cr projects. We estimate the order book to grow at 13% over FY23E-25E.

3. DIFFRENTIATING FACTORS OF JKIL

A. JKIL has remained stringent on maintaining operating margins while bidding for projects, to aims to achieve 14-15% margins overall. B. it has lower cash conversion cycle of 53 days results lower investment in working capital. Its working capital as on FY22 stood at Rs 800 Cr with net cash flow from operation a Rs 381 Cr. Remaining shortfall in working capital is fulfilled with short term debt. C. lower gearing of 0.22(x) is one of the lowest in industry (exhibit: 18), reduces interest burden on PNL and lower probability for volatility in earnings due to financial leverage. D. trades at 0.92(x) price to book despite of lower (D/E) of 0.22(x) and strong cash generation abilities (CFO/PAT of 163% , 8 yr median) and order book to TTM sales ratio of 2.8(x).

One of the Lowest D/E of 0.22(x) and Interest Coverage of 3.8(x)

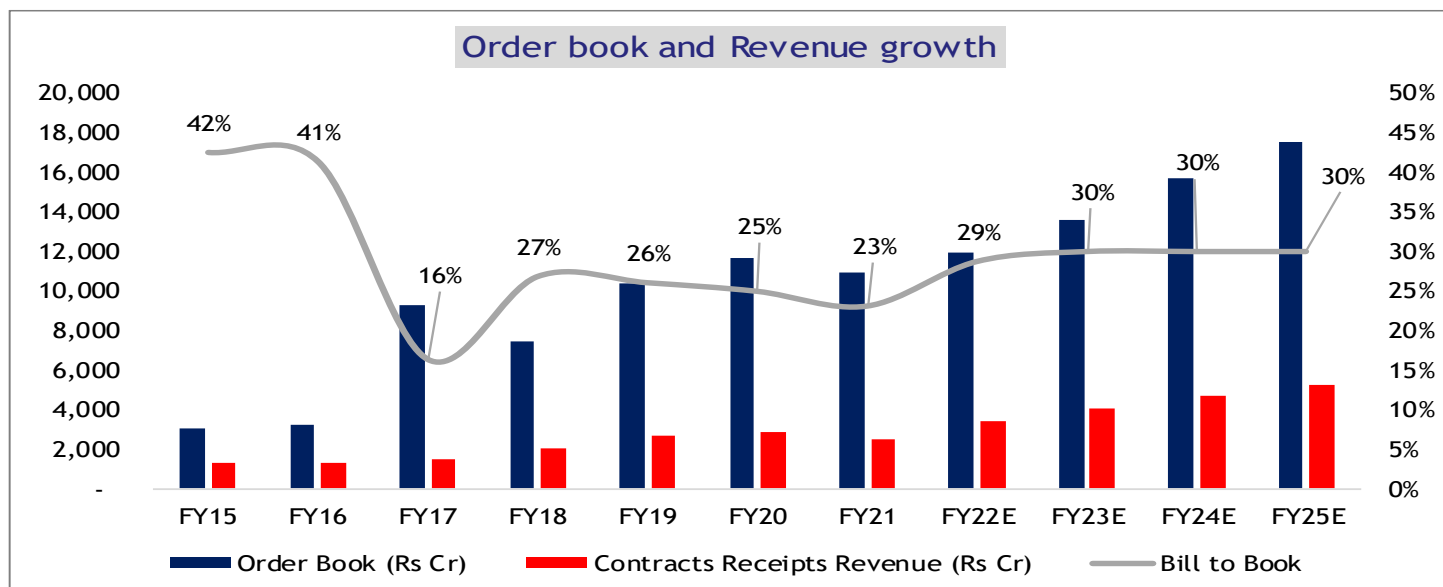
Lower Cash Conversion Cycle of 53 days

Trades at 0.92(x) PB and Forward PE of 6.3(x) (25E EPS)

High Cash Generating ability CFO/PAT of 163% (8yr median)

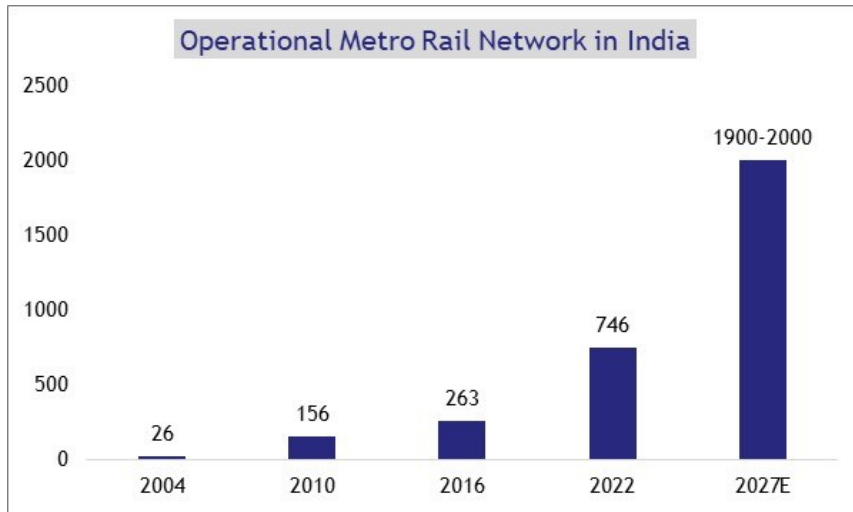
Healthy OB of Rs 11,400 Cr (2.8 of TTM sales), aims to Bid Rs 70,000 Cr projects

Exhibit 01- order book and Bill to Book ratio



EMBRYONIC STAGE OF INDIAN METRO SUGGEST HIGH GROWTH

Exhibit 02- India's Operational Metro Rail Network



Source: ICRA Research, GEPL Capital

Rs 80,000 CR OPPORTUNITY FOR CIVIL CONSTRUCTION ENTITIES....

According to ICRA Research, Civil construction forms ~35-45% of the overall development cost of the metro rail project. It is followed by rolling stock (~25-30% of project cost) and then systems work (~15-20% of project cost).

ICRA expects Rs. 80,000 crore business potential for construction entities in the next five years. India's operational metro rail network to scale 2.68(x) times in next 5 years, India's operational metro rail network is at 746 Km now and it is expected to grow towards 1900-2000 Km.

Exhibit 03- Mumbai Metro Work opportunities

METRO LINE	STARTING STATION	INTERCHANGE STATION	TERMINAL STATION	TOTAL KM
1	Versova	Andheri (With Western Railway) Ghatkopar (With Central Railway)	Ghatkopar	11.4
2A	Dahisar (East)	Oshiwara (With Line 6)	Andheri (west)	18.6
2B	D. N. Nagar	D. N. Nagar (With Line 1)	Mandale	23.6
3	Colaba	Seepz (with Line 6) CSIA (With Line 7A)	Seepz	33.5
4	Bhakti Park	Kanjurmarg (With Line 6)	Kasarvadavali	32.3
4A	Gownpada	-	Gaimukh	2.9
5	Kapurbawdi	Kapurbawdi (with line 4A) Kalyan (with Central Railway)	Kalyan	23.5
6	Swami Samarth	Kanjurmarg (With line 4) Seepz (With line 3) Adarsh Nagar (With line 2A)	Vikhroli (EEH)	14.7
7	Gundavali	Western Express Highway (WEH) (With Line 1)	Ovaripada	16.5
7A	Andheri (E)	-	Chatrapati Shivaji Maharaj International Airport (CSIA)	3.2
8	Chatrapati Shivaji Maharaj International Airport (CSIA)	-	Navi Mumbai International Airport (NMIA)	35.0
9	Pandurang Wadi	-	Mira bhayander	11.4
10	Gaimukh	-	Shivaji Chowk	9.0
11	Wadala	-	CSMT	12.7
12	Kalyan	Kalyan (with Line 5) Kalyan(with Central Railway)	Taloja	20.7
13	Shivaji Chowk (Mira Road)	-	Virar	23.0
14	Vikhroli	-	Badlapur	45.0
Total				337.0

Source: Maha Mumbai Metro, GEPL Capital

UPCOMING METRO PROJECTS IN MUMBAI

MMRDA plans to improve connectivity of MMR through elevated and underground metro projects in upcoming years, JKIL being largely focused on Maharashtra poses good opportunity to garner upcoming projects of Maha-Mumbai. Total 337 Km of metro rail network is planned to be built across MMR.

METRO INFRASTRUCTURE REMAINS KEY STONE IN BUILDING CONNECTIVITY.

India's operational metro network of 746.3 km in 15 cities, which is expected to increase to 1,900-2,000 Km by FY2025E. Around 991 Km of metro rail project is under construction/approval stage and around 1,040 Km is in the proposal stage. Given the strong order/proposal pipeline, the construction entities with presence in the metro rail segment are likely to witness strong growth. 56% of JKIL's order book is comprised of underground and elevated projects.

As per ICRA, "sizeable share of metro rail projects are currently funded by multilateral agencies, which has helped in easing the financing burden on the Government and in speedy expansion of the project. The Metro Rail Policy in FY2017 helped boost the network, evident from the growth of nearly 4 times in the last six years."

Currently, metro rail projects of about 1,400 km worth Rs. 2,00,000 crore are under approval/proposal stage. Based on the projects currently under approval/proposal stage, it will translate into -Rs. 80,000-crore business opportunity for the civil construction industry.

Better Pricing in Metro Projects.....

"Unlike road segment, which has witnessed steep competition in recent times with most of the bids in EPC segment at discount, the metro rail segment has continued to witness relatively better pricing/bidding discipline amongst participants. Almost 58% of the metro rail projects in the last 15 months were awarded at premium over the base price, with 14% of projects awarded at a premium of over 20%." Quotes ICRA.

J Kumar's demonstrated history of timely execution with fleet of modern equipment makes JKIL in sweet spot.

Source: ICRA Research

MAHA METRO AIMS TO FULLY INTEGRATE MUMBAI NETWORK

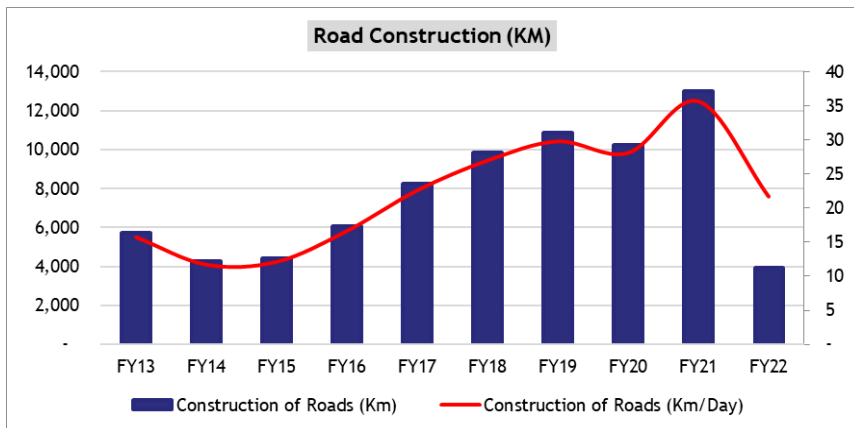
Exhibit 04- Mumbai Metro Network Diagram



Source: Maha Mumbai Metro, GEPL Capital

INDIA'S ROAD CONSTRUCTION STORY IN CHARTS

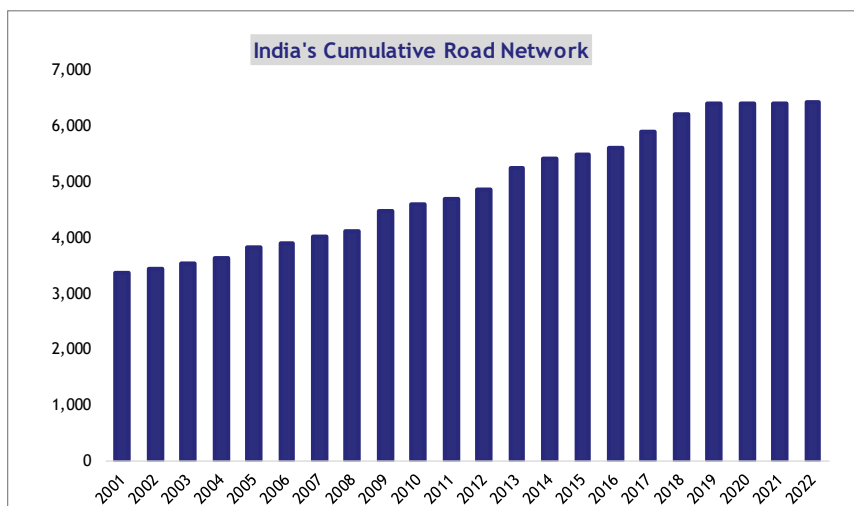
Exhibit 05- Road Construction in each year



Source: Economic Survey 2022, *FY22 as of 30-09-21

- Pace of Road construction increased from 12 km per day in 2014-15 to 37 km per day in 2020-21 (more than 3 times growth)

Exhibit 06- India's Cumulative Road Network



Source: Economic Survey 2022, MORTH Annual report 2021

- Cumulative road network remained subdued post Covid-19

Exhibit 07- Category wise breakup of India's Road Network

Total Cumulative Road Length (In Thousand Km)							
Year	NH	SH	District Road	Rural Road	Urban Road	Project Road	Total Roads (In 'K KM)
2001	58	132	736	1,972	252	224	3,374
2002	58	138	695	2,061	250	224	3,427
2003	58	135	697	2,082	297	259	3,529
2004	66	133	719	2,141	301	262	3,622
2005	66	144	786	2,266	287	260	3,809
2006	67	148	804	2,308	292	262	3,881
2007	67	152	835	2,393	301	269	4,016
2008	67	155	863	2,451	304	270	4,110
2009	71	158	963	2,629	374	277	4,472
2010	71	160	977	2,693	402	279	4,582
2011	71	164	999	2,750	412	282	4,677
2012	77	164	1,022	2,838	464	299	4,865
2013	79	169	1,067	3,160	446	311	5,232
2014	91	171	1,082	3,304	457	296	5,402
2015	98	167	1,101	3,337	467	302	5,472
2016	101	176	562	3,935	510	319	5,603
2017	114	175	586	4,167	526	329	5,898
2018	126	187	611	4,410	534	348	6,216
2019	133	187	632	4,536	545	355	6,386
2020	-	-	-	-	-	-	6,397
2021	-	-	-	-	-	-	6,410
2022	-	-	-	-	-	-	6,413

Source: MORTH annual reports, GEPL Capital

- Economic growth directly linked to the Roads Networks.
- India's total road network now ranked second in world with improvement from 4.8 Mn Km in 2014 to 6.4 Mn in 2022 (as of 30-Sep-22)

HEAVY CAPEX OUTLAY TOWARDS HIGHWAYS & ROADS INFRASTRUCTURE

Exhibit 08- National Infrastructure Pipeline Outlay

Sectors	FY20	FY21	FY22	FY23	FY24	FY25	Not Phased	Total	% of Total
Energy	1,73,231	3,35,360	3,21,653	3,26,351	3,46,359	3,25,005	6,26,290	24,54,249	24%
Roads	3,24,426	3,69,700	3,43,791	2,36,850	2,29,446	3,24,915	1,34,815	19,63,943	19%
Railways	1,33,232	2,62,510	3,09,360	2,74,181	2,21,369	1,67,870		13,68,522	13%
Ports	12,067	16,128	18,755	15,273	7,134	9,251	22,314	1,00,922	1%
Airports	18,827	21,655	24,780	21,294	25,346	5,041	26,445	1,43,388	1%
Urban	2,94,775	4,13,513	3,26,875	1,61,464	1,46,213	1,09,017	1,77,155	16,29,012	16%
Irrigation	1,01,688	1,69,379	1,57,739	1,07,645	92,502	64,221	79,504	7,72,678	8%
Rural Infra.	1,39,755	1,77,011	2,10,660	1,11,230	1,07,055	27,055		7,72,766	8%
Digital Infra.	83,891	63,833	55,365	39,577	38,977	38,855		3,20,498	3%
Agri.Process.	8,949	8,163	7,409	5,934	5,633	5,374	14,092	55,554	1%
Social Infra.	55,454	72,441	76,774	46,360	35,433	18,907		3,05,369	3%
Industrial Infra.	17,236	40,694	42,897	34,169	22,774	10,336	1,39,306	3,07,412	3%
Total	13,63,531	19,50,387	18,96,058	13,80,328	12,78,241	11,05,847	12,19,921	1,01,94,313	100%
% of Total	13%	19%	19%	14%	13%	11%	12%	100%	(INR Cr)

Source: NIIP Site, GEPL capital

Exhibit 09- Under Execution & Proposed corridors under 'Bharatmala Pariyojana'.

Sr No	Corridor Name	Length (km)	Total Capital Cost (Rs Cr)	Targeted Completion Year
1	Delhi - Mumbai EXP	1,382	98,299	FY23
2	Ahmedabad - Dholera	109	4,192	FY24
3	Bengaluru - Chennai	262	16,730	FY25
4	Delhi - Amritsar - Katra	669	39,486	FY25
5	Kanpur - Lucknow EXP	63	4,183	FY25
6	Ambala - Kotputli	313	11,375	FY22
7	Amritsar - Bhatinda - Jamnagar	917	22,757	FY24
8	Raipur - Vishakhapatnam	465	16,122	FY25
9	Hyderabad Vishakhapatnam	222	5,921	FY25
10	UER II	75	7,010	FY24
11	Chennai - Salem	277	9,681	FY25
12	Chittoor Thatchur	116	4,754	FY24
13	Bangalore Ring Road	281	14,337	FY25
14	Delhi - Saharanpur - Dehradun	329	17,085	FY24
15	Durg Raipur Arang	92	2,689	FY25
16	Hyderabad - Raipur	330	8,737	FY25
17	Surat - Nashik - Ahmednagar - Solapur	711	28,212	FY25
18	Solapur - Kurnool - Chennai	335	10,538	FY25
19	Indore - Hyderabad	687	15,014	FY25
20	Kharagpur - Siliguri	235	5,671	FY25
21	Kota Indore (Garoth to Ujjain)	135	2,609	FY25
22	Nagpur - Vijayawada	405	14,666	FY25
Total Corridors		8,410	360,068	

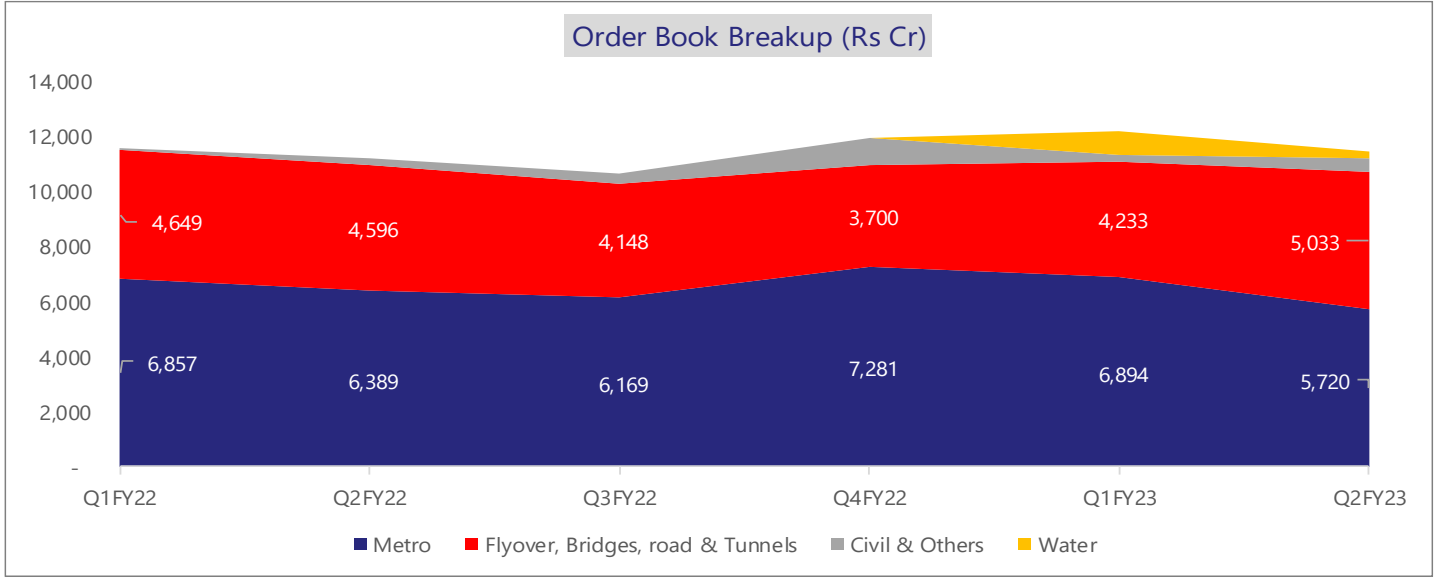
Source: themetrorailguy.com, GEPL Capital

NATIONAL INFRASTRUCTURE PIPELINE (NIP)

It is a signature project of the Indian Govt. to develop world class infrastructure in India. This mega project is worth Rs 100 lakh Cr. With the inclusion of all the major sector. NIP outlined plans to invest Rs 102 lakh Cr. on infrastructure projects by 2024-25, with the Centre, States and the private sector to share the capital expenditure in a 39:39:22 formula. To achieve \$5 trillion economy of India, the infrastructure is a important pivot. A fast paced economy needs a well connected, established infrastructure for swift good and services transport. The need for connected and established infrastructure across all sectors is the main driver for the India. FY 20-FY25 is the execution period of the National Infrastructure Pipeline.

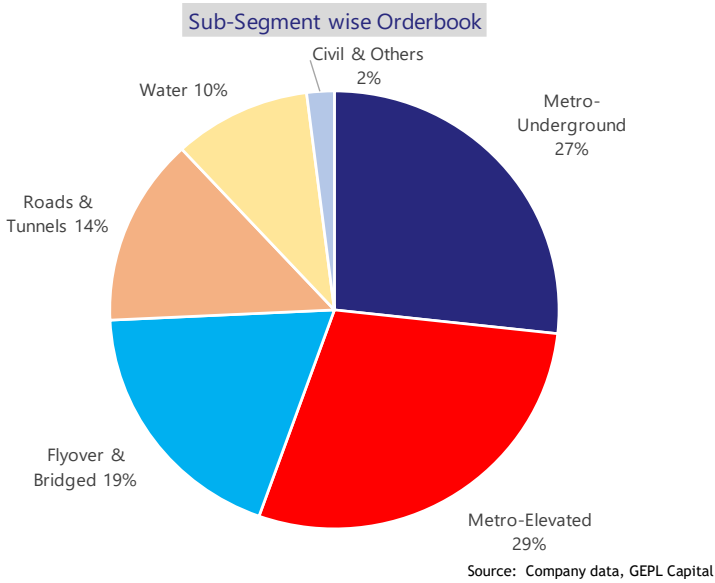
ORDER BOOK BREAKUP

Exhibit 10- JKIL order book breakup



Source: Company data, GEPL Capital

Exhibit 11- Segment wise order book



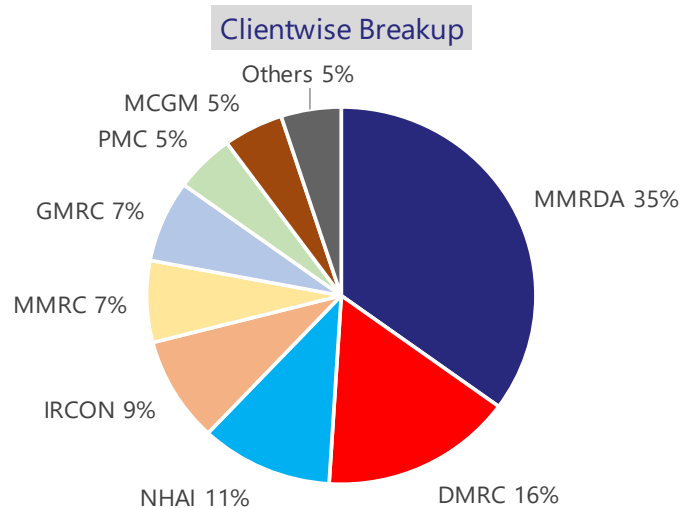
Source: Company data, GEPL Capital

ORDER BOOK BREAKUP

JKILs order book constitutes Rs 5720 Cr of Metro projects, Rs 5033 Cr of Flyover, bridges, roads & tunnels projects majorly. MMRDA, DMRC and NHAI are key clients of company constituting 62% of order book.

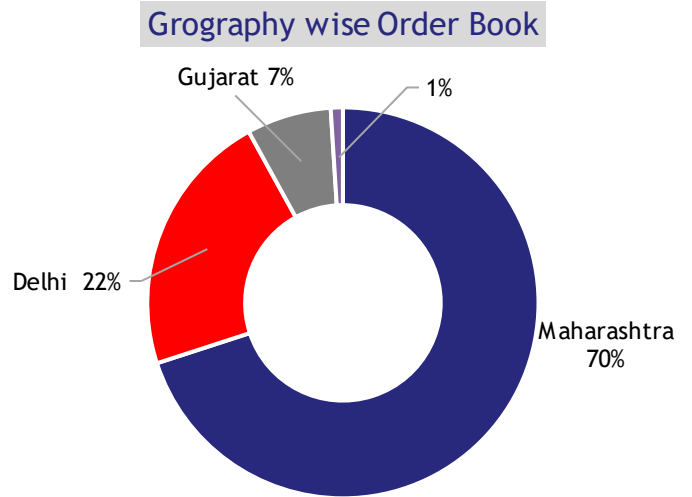
Maharashtra forms 70% of order book, followed by Delhi at 22% and Gujarat & UP at 7%,1% respectively. Company has 7 TBM (Tunnel boring machines) to process underground projects as well.

Exhibit 12- Client wise order book



Source: Company data, GEPL Capital

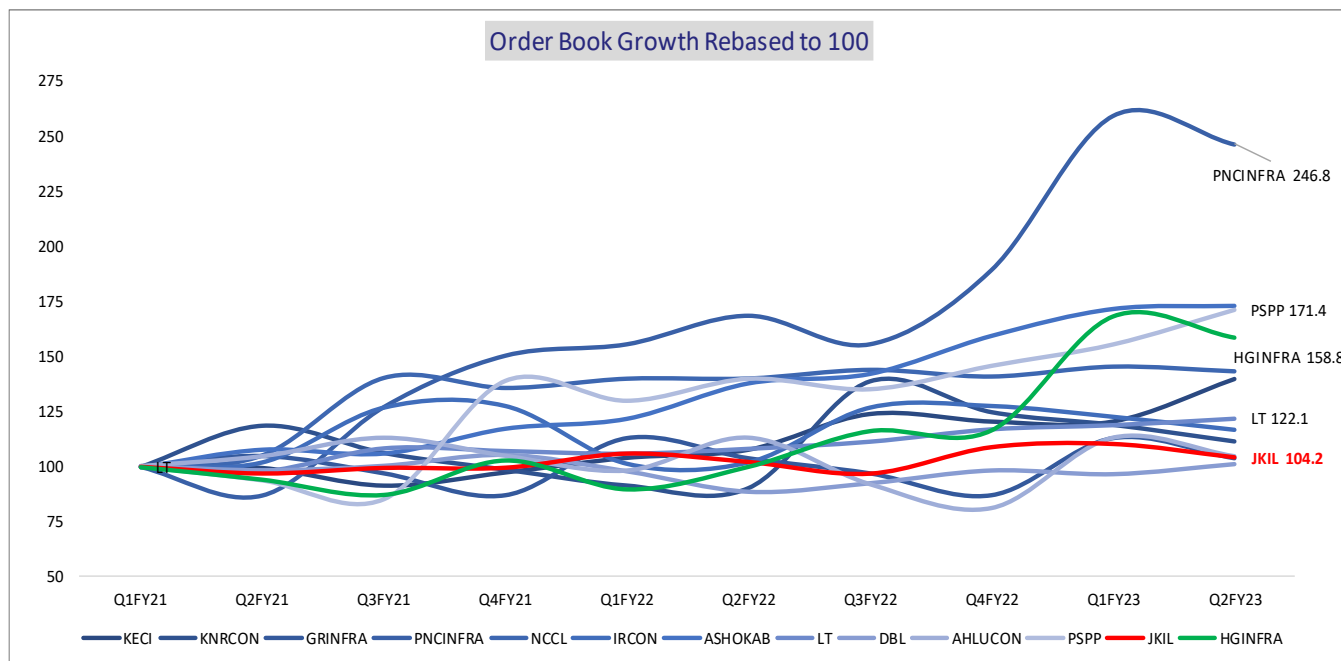
Exhibit 13- Geography wise order book



Source: Company data, GEPL Capital

ORDER BOOK GROWTH REBASED TO 100

Exhibit 14- Companywise order book growth



Source: Companies data, GEPL Capital

Above chart shows Order book growth across majors peers from Q1FY21, rebased to 100. JKIL has showed one of the lowest OB growth of 4% from Q1FY21, however its revenue improved from Rs 2571 cr in FY21 to Rs 4087 Cr on TTM basis.

Its Bill to book ratio improved from 23% to 29% in the same period. Company plans to bid for Rs 70,000 cr of projects in upcoming 5-6 months and we should expect improvement in this trend as well.

PROJECTS UNDER ORDER BOOK

Exhibit 15- JKIL order book (As on Q2FY23)

Metro Projects	Client Name	Unexecuted value (Rs Cr)
Mumbai Metro Line-09-07A (CA48)	MMRDA	1,461
Mumbai Metro Line-2B C101	MMRDA	983
Mumbai Metro Line-6 BC03	DMRC	301
Mumbai Metro Line-4A CA54	MMRDA	196
Mumbai Metro Line-6 BC01	DMRC	173
CIDCO Metro Station	MMRCL	87
Pune Metro Elevated P1C-05	MAHA METRO	48
Metro - Others		48
Delhi Metro DC08	DMRC	1,407
Surat Metro Ph-1 UG-02 Pkg-CS3	GMRC	751
Mumbai Metro Line-3 Pkg 05	MMRC	485
Mumbai Metro Line-3 Pkg 06	MMRC	268
Maha Metro UG-01 Pune	MAHA METRO	131
Total		6,339

.....Metro Projects (Underground and elevated)

Flyover & Bridge Projects	Client Name	Unexecuted value (Rs Cr)
Dwarka Expressway-Pkg-01	NHAI	690
Sewri Worli Elevated Connector	MMRDA	630
Dwarka Expressway-Pkg-02	NHAI	417
SCLR Flyover	MMRDA	185
Airoli Creek Bridge	MMRDA	92
Chheda Nagar Flyover	MMRDA	55
Motagaon Creek Bridge	MMRDA	42
Flyover - Others		79
Total		2,190

.....Flyover and Bridges Projects

Roads & Tunnels Projects	Client Name	Unexecuted value (Rs Cr)
IRCON VME Package - 17	IRCON	1,068
CIDCO Coastal Road Pkg 01	CIDCO	365
JNPT Package-1, 2, 3	NHAI	102
CIDCO Coastal Road Pkg 02	CIDCO	92
Total		1,627

.....Roads & Tunnels Projects

Water Related Projects	Client Name	Unexecuted value (Rs Cr)
Pune Riverfront	PMC	605
Sewer Tunnel Phase 1	MCGM	306
Mithi Package IV	MCGM	184
Total		1,095

.....Water Related Projects

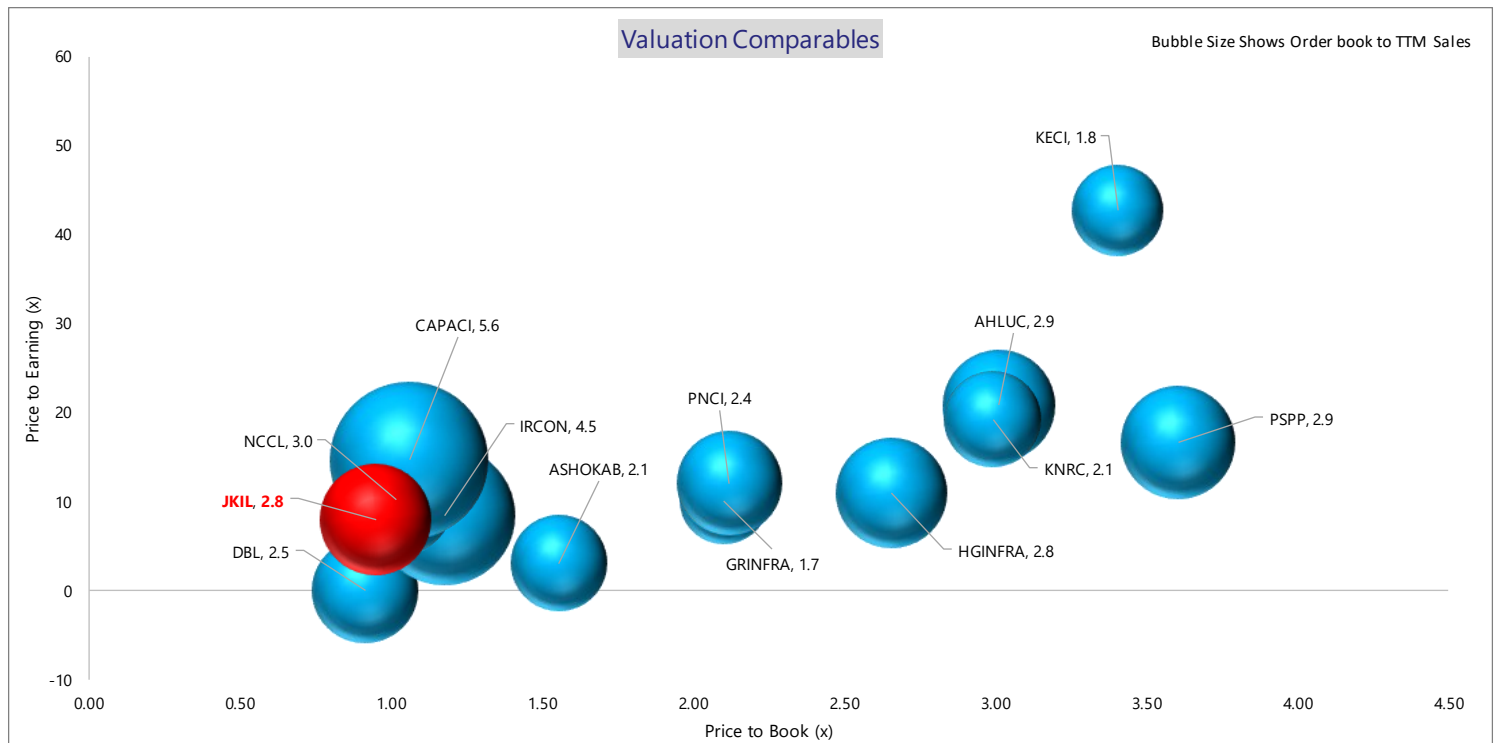
Civil Projects	Client Name	Unexecuted value (Rs Cr)
RML Academy-Lucknow	UPRNNL	139
Civil-Others		50
Total		189

.....Civil Projects

Source: Company data, GEPL Capital

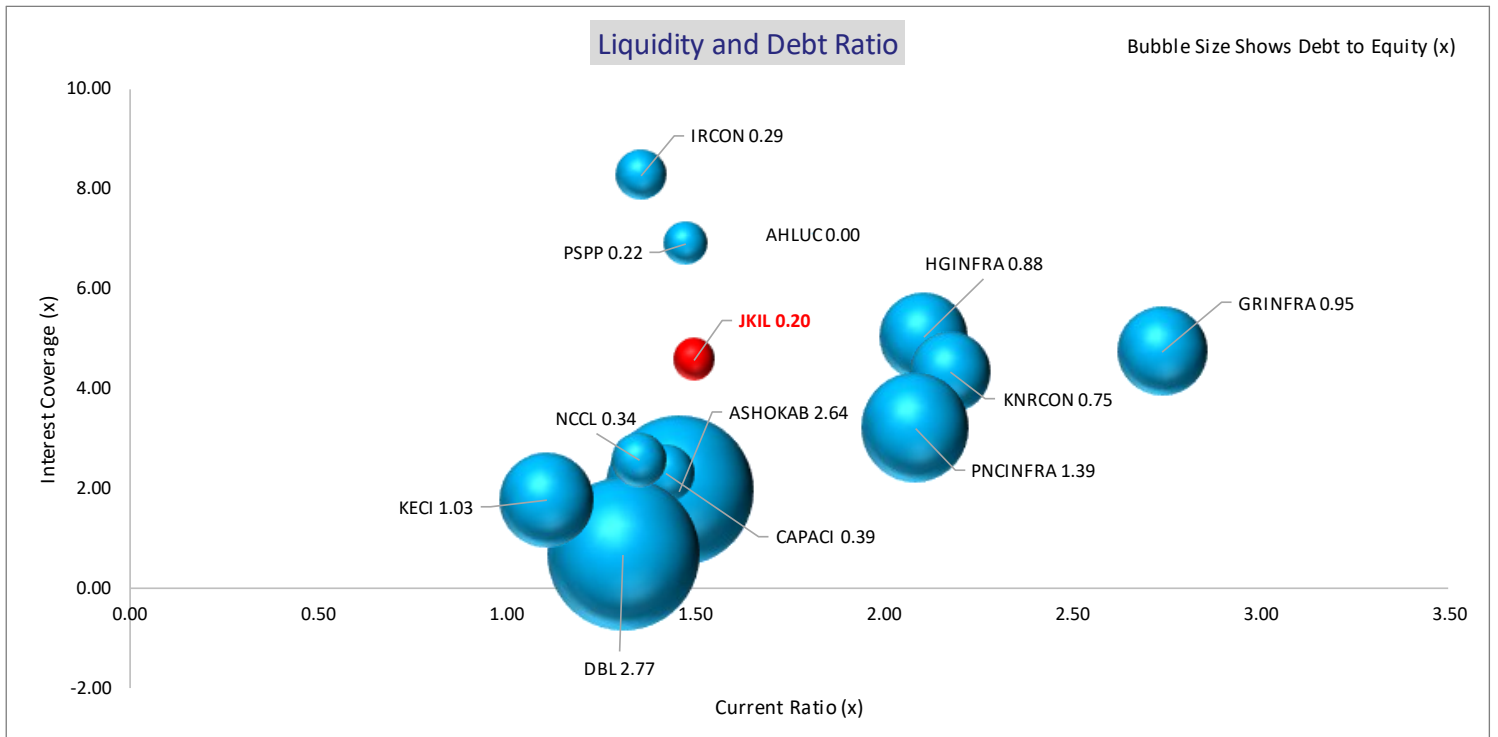
PEER COMPARISON

Exhibit 16- JKIL remains undervalued...(Ex-L&T)



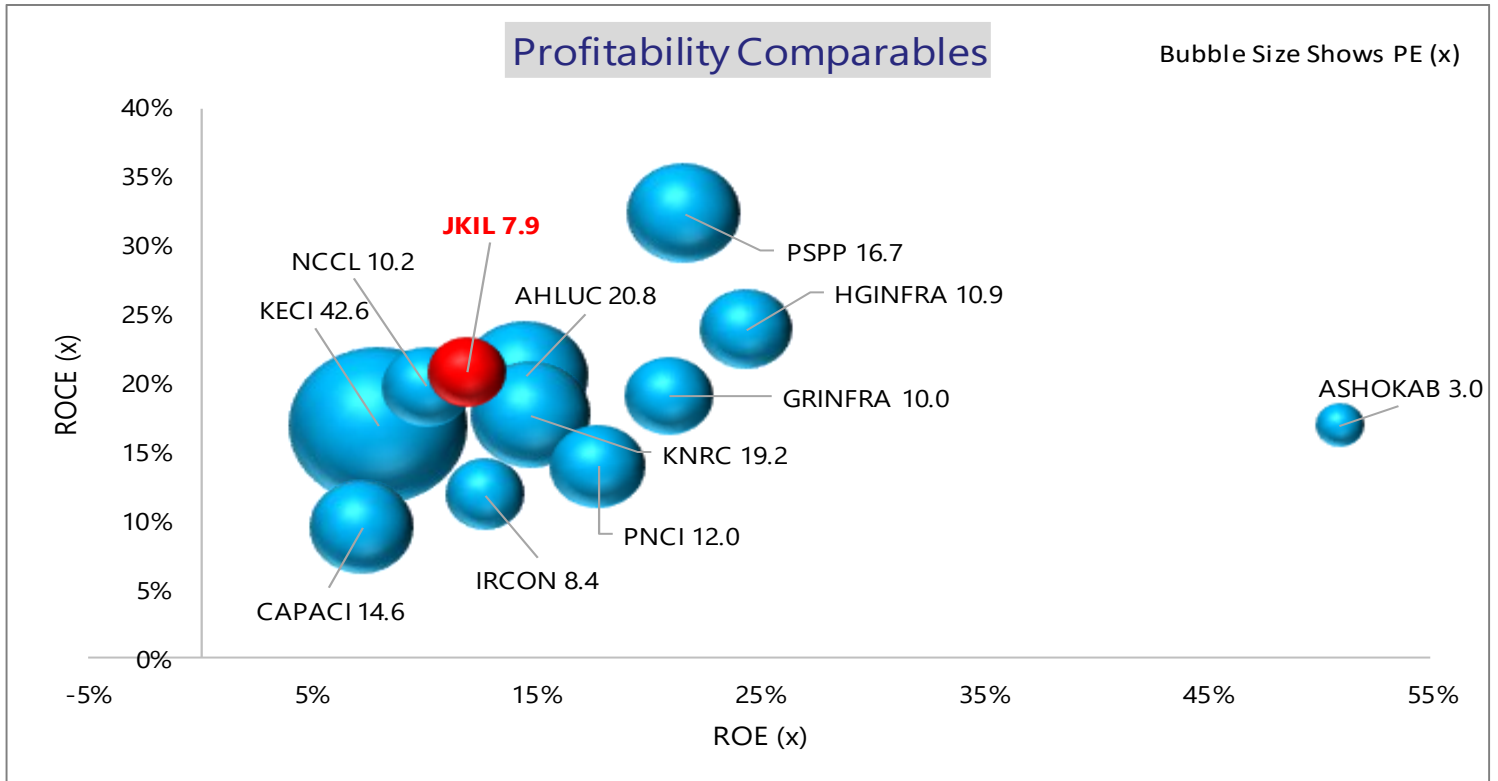
Source: GEPL Capital, Company data

Exhibit 17- Lower gearing with healthy interest coverage and liquidity...(Ex-L&T)



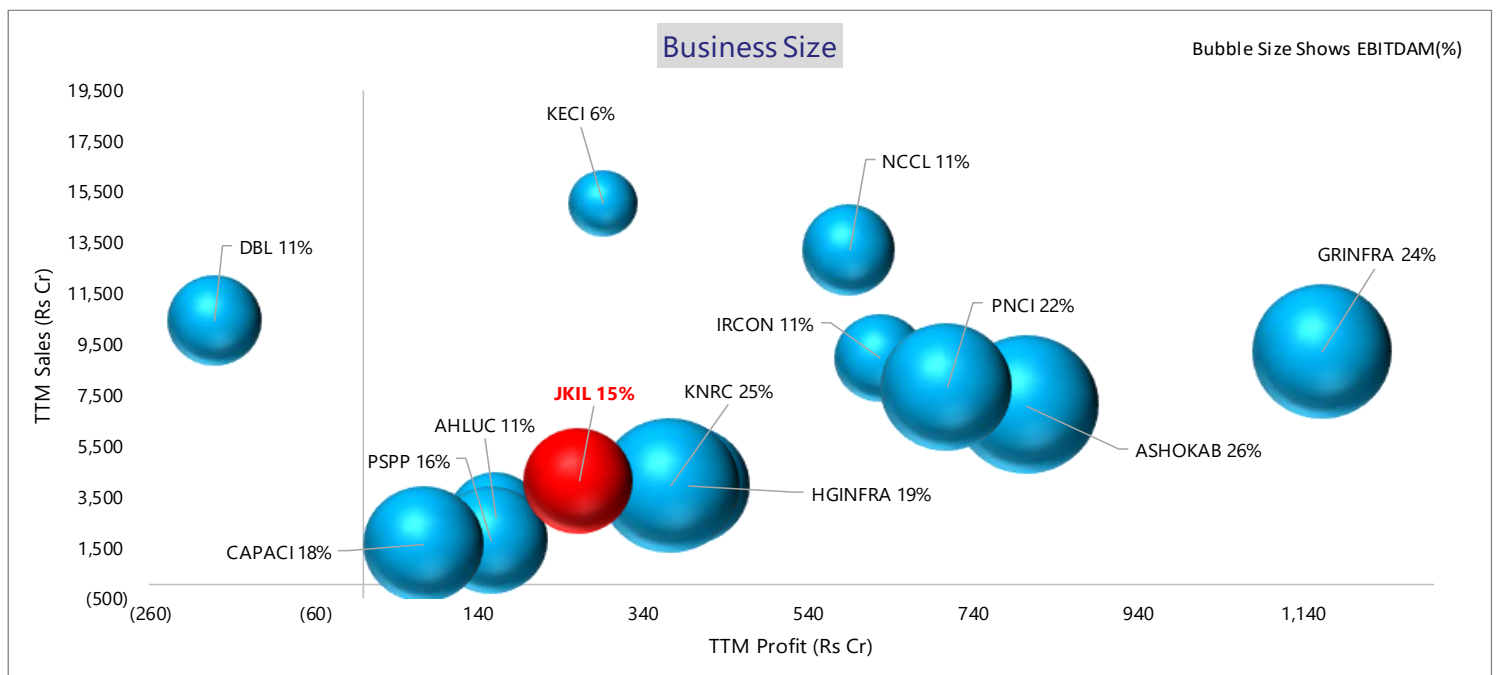
Source: GEPL Capital, Company data

Exhibit 18- Robust profitability ratios...(Ex-L&T)



Source: GEPL Capital, Company data

Exhibit 19- Operates at EBITDAM% of 15%...(Ex-L&T)



Source: GEPL Capital, Company data

FINANCIAL ANALYSIS

EFFICIENT IN CAPITAL UTILIZATION

JKIL has been comfortably generating capital turnover of 1.7(x) with stable ROIC of 10%. Going ahead we estimated ROCE to improve towards 20% on back of higher capital turnover and asset turnover towards ~1.

Exhibit 20- Capital Utilization

CAPITAL UTILIZATION													
Particulars	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 19	FY 20	FY 21	FY 22	FY 23E	FY 24E	FY 25E
Sales	1,001	1,187	1,343	1,508	1,573	2,051	2,787	2,971	2,571	3,527	4,092	4,705	5,270
Capital Employed	595	718	857	1,347	1,441	1,651	1,845	1,976	1,990	2,165	2,430	2,719	3,047
Capital Turnover	1.7	1.8	1.7	1.4	1.1	1.3	1.6	1.6	1.3	1.7	1.7	1.7	1.7
EBIT Margin	15%	15%	16%	14%	14%	14%	13%	11%	8%	11%	11%	11%	11%
ROCE	26%	28%	27%	19%	16%	18%	21%	17%	10%	18%	20%	20%	20%
ROIC	13%	13%	12%	9%	8%	9%	10%	10%	3%	10%	11%	11%	11%
Asset Turnover	0.9	0.8	0.8	0.8	0.7	0.7	0.80	0.82	0.70	0.93	0.95	0.95	0.95

Source: Company data, GEPL Capital

REVENUE AND PROFIT TRENDS

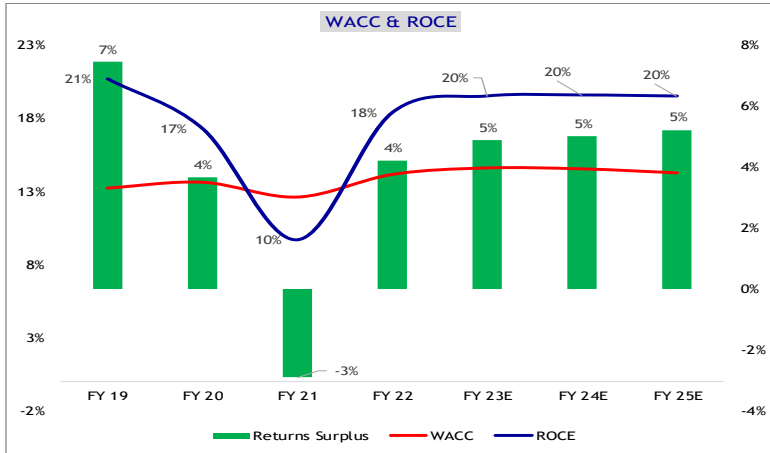
In last one decade (FY12 to FY22) company has able to generate Rs 19,517 Cr of Revenue by deploying Rs 14,585 Cr of capital. It generated a EBIT of Rs 1269 Cr with PAT of 360 Cr. JKIL has remained successful to generate operating cash of Rs 1091 Cr and it invested Rs 1237 Cr in Capital expenditure.

Exhibit 21- Profits over the years

PROFITS OVER THE YEARS											
Particulars	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 19	FY 20	FY 21	FY 22	Total
Capital Employed	595	718	857	1,347	1,441	1,651	1,845	1,976	1,990	2,165	14,585
Sales	1,001	1,187	1,343	1,508	1,573	2,051	2,787	2,971	2,571	3,527	19,517
EBIT	152	182	216	213	224	277	362	331	193	383	1,269
Net Profit	76	84	94	96	106	137	177	184	64	206	630
Operating Cash	100	-25	59	75	268	265	83	259	369	381	1,091
Free Cash Flow	13	-177	-96	24	129	-16	-27	101	289	267	495
Capex	-86	-151	-155	-51	-138	-281	-110	-158	-79	-113	-1,237
Cash Conversion	132%	-30%	62%	78%	254%	194%	47%	141%	577%	185%	173%

Source: Company data, GEPL Capital

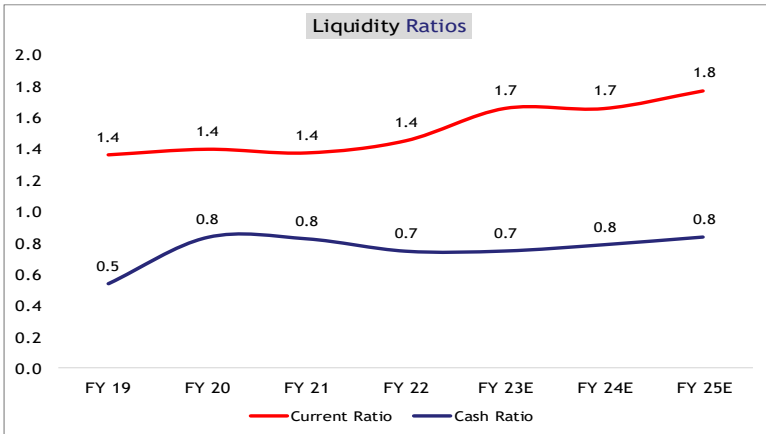
Exhibit 22- Economic profit expected to remain stable at 5%.



Source: GEPL Capital, Company data

..... Despite of peak debt of Rs 200 Cr, its WACC is expected to remain in control hence generating surplus return in business. The returns surplus are set to touch 12% by FY25E.

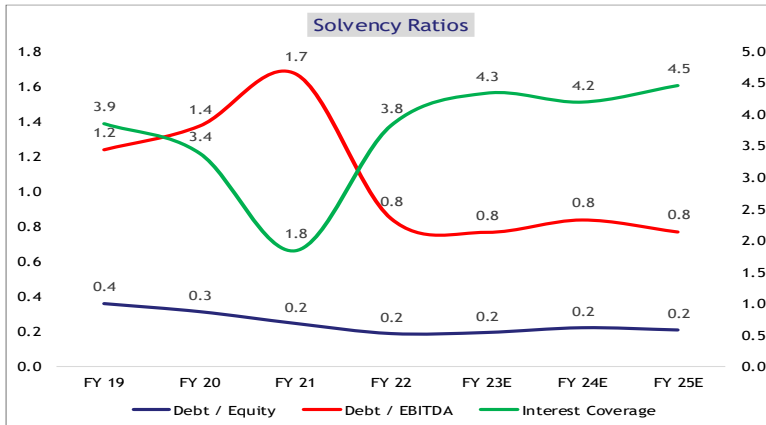
Exhibit 23- Liquidity to further improve.



Source: GEPL Capital, Company data

..... Despite of peak debt of Rs 200 Cr, its WACC is expected to remain in control hence generating surplus return in business. The returns surplus are set to touch 12% by FY25E.

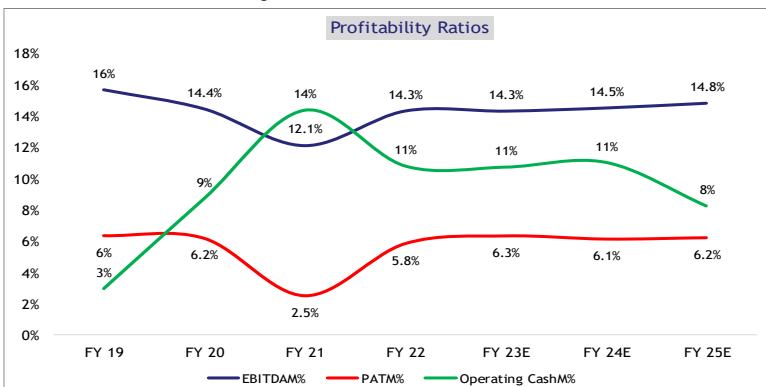
Exhibit 25- Overall gearing expected to below 0.5.



Source: GEPL Capital, Company data

..... Despite of peak debt of Rs 200 Cr, its WACC is expected to remain in control hence generating surplus return in business. The returns surplus are set to touch 12% by FY25E.

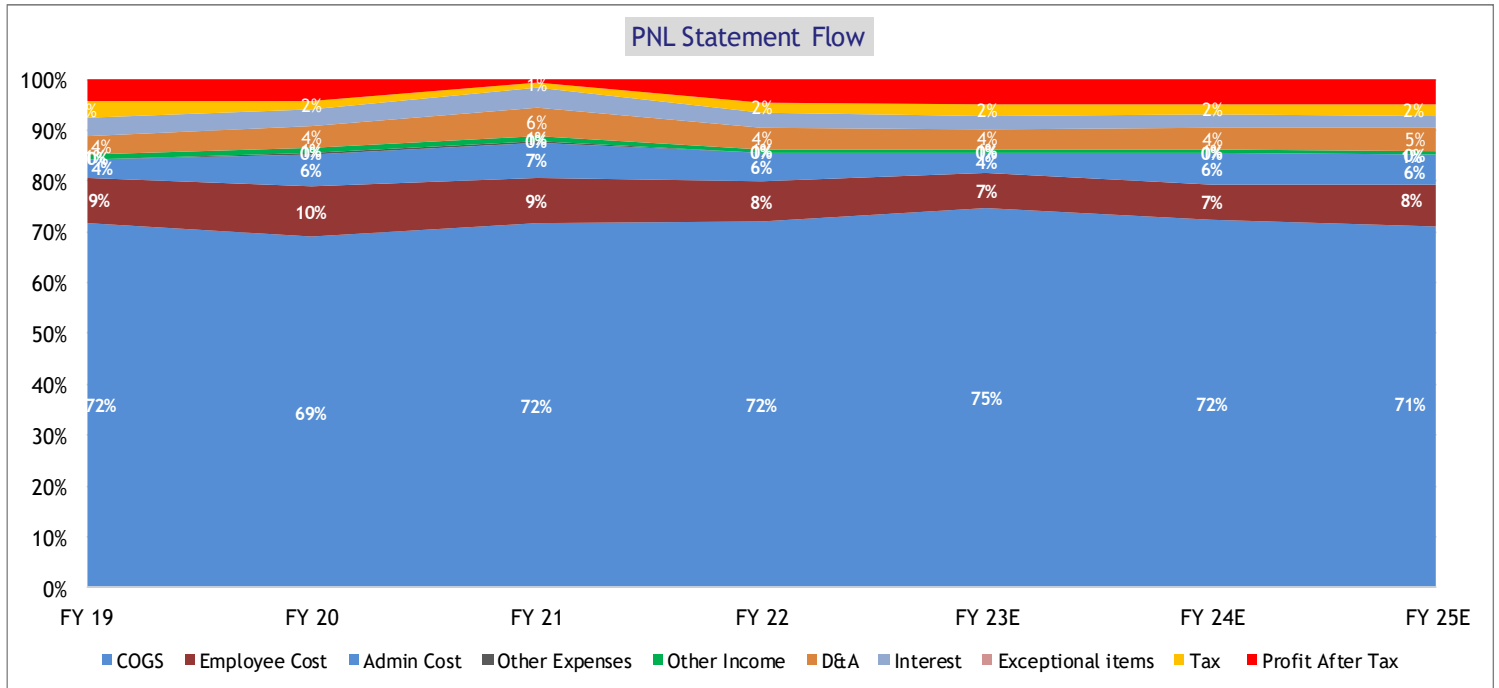
Exhibit 26- Stable EBITDA margins of 14.3%-14.5%.



Source: GEPL Capital, Company data

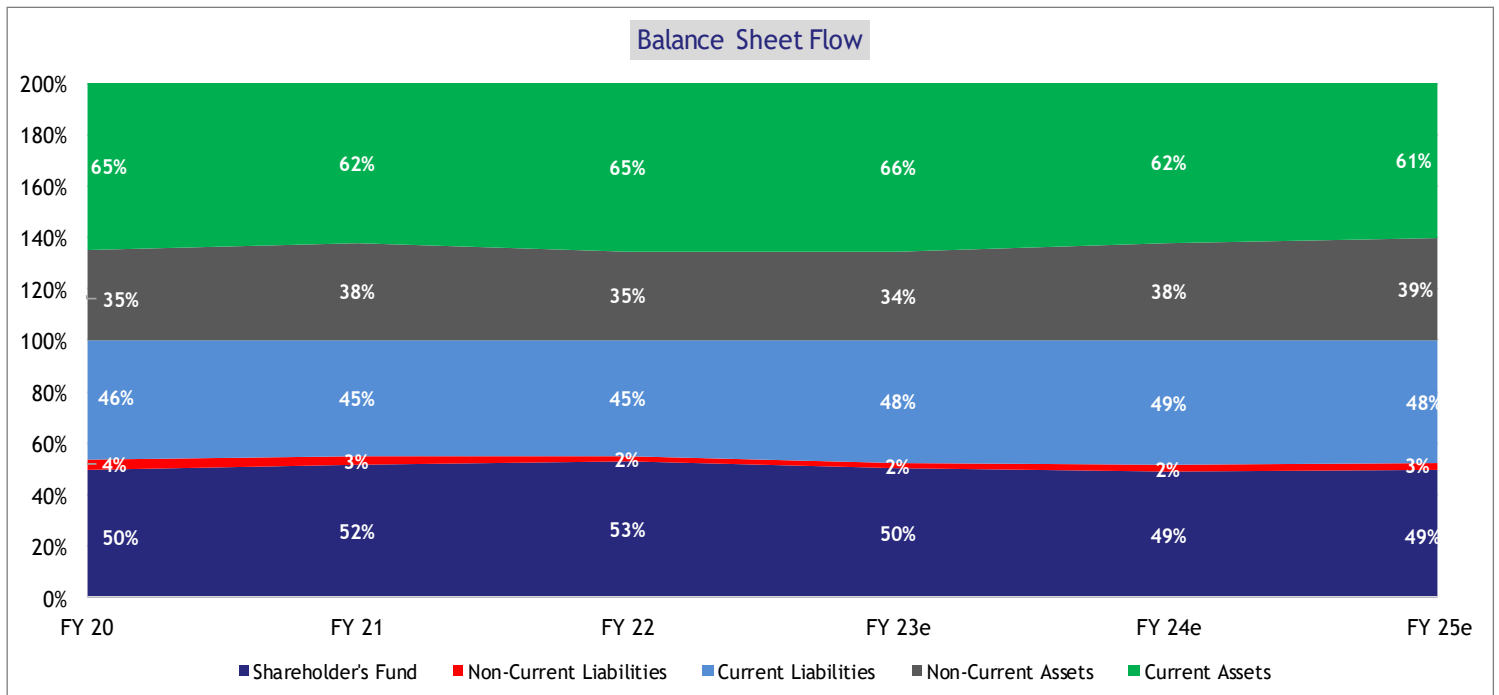
..... Despite of peak debt of Rs 200 Cr, its WACC is expected to remain in control hence generating surplus return in business. The returns surplus are set to touch 12% by FY25E.

Exhibit 27- Cost of goods sold (COGS) estimated down to 71% by FY25E.



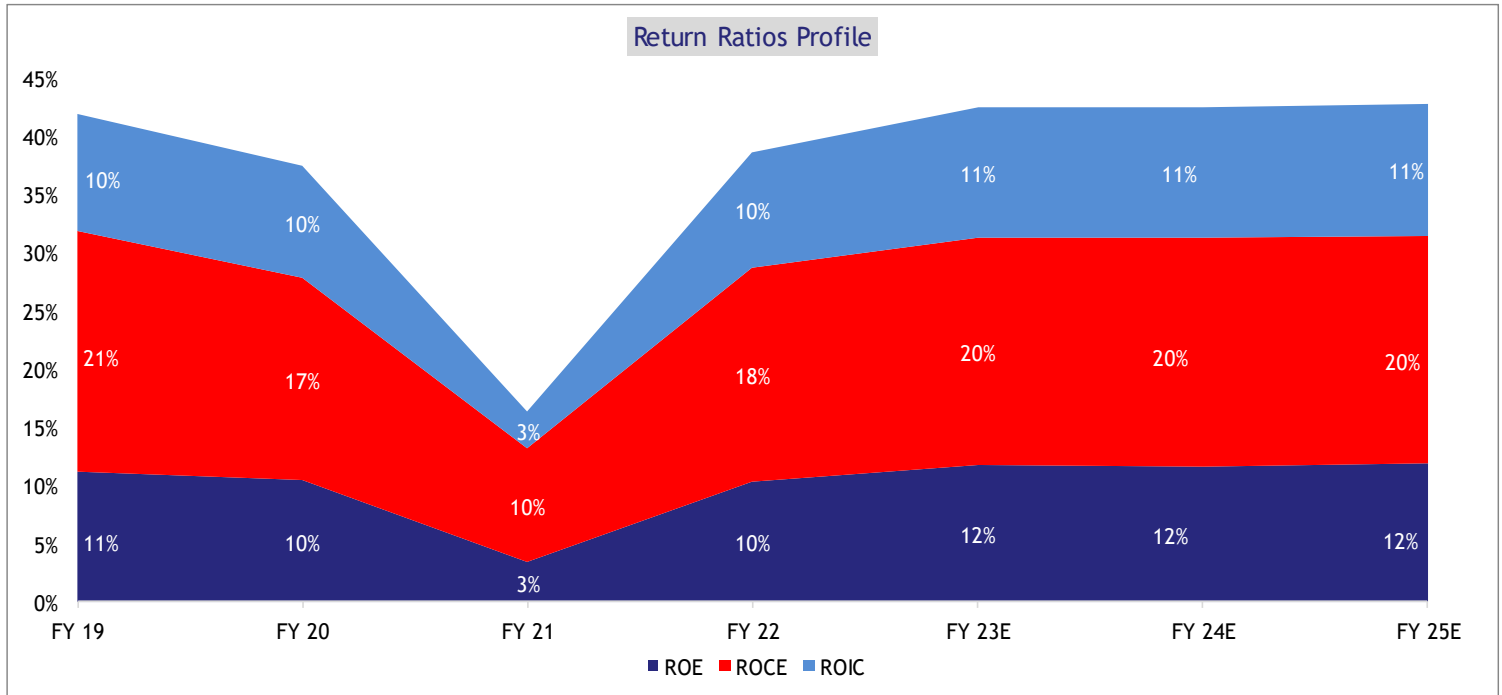
Source: GEPL Capital, Company data

Exhibit 28- Largely funded through equity.



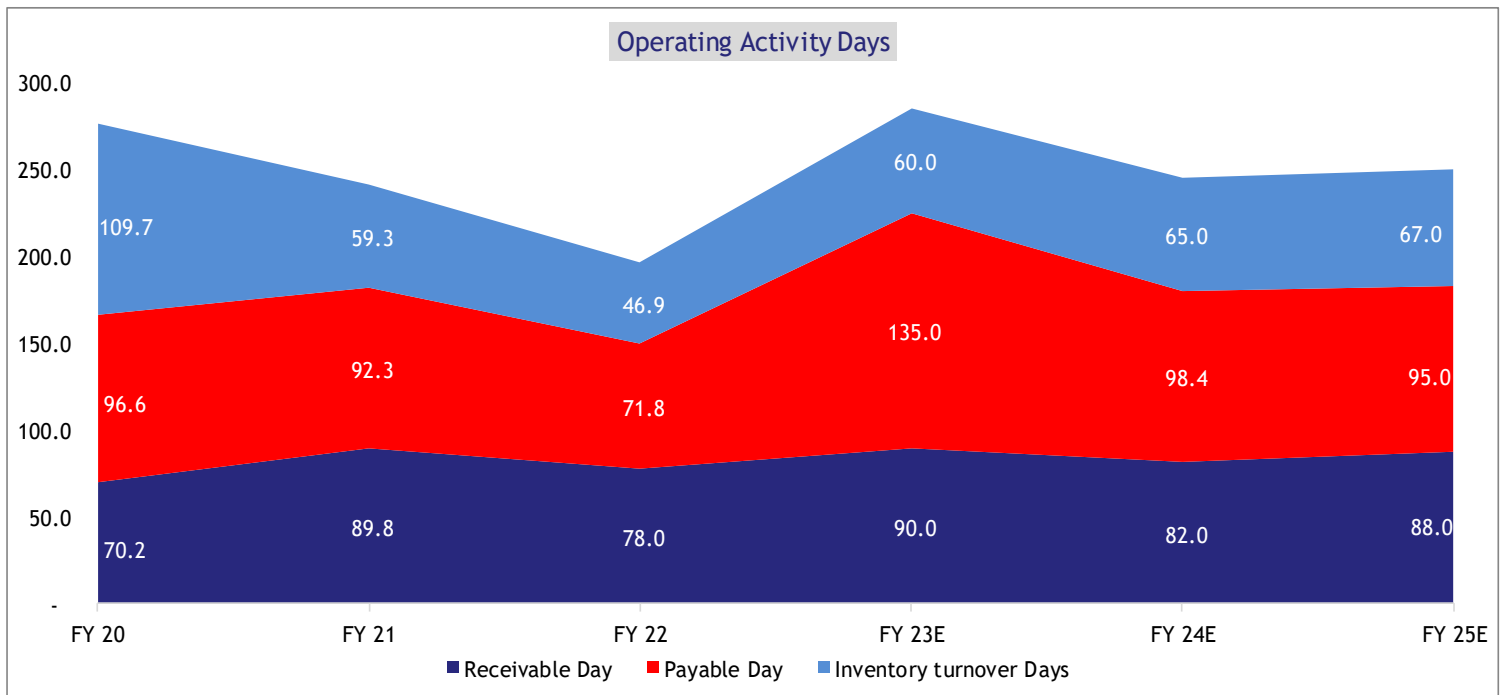
Source: GEPL Capital, Company data

Exhibit 29- Return ratios profile to remain healthy



Source: GEPL Capital, Company data

Exhibit 30- Operating activity days estimated to rise.



Source: GEPL Capital, Company data

DUPONT ANALYSIS

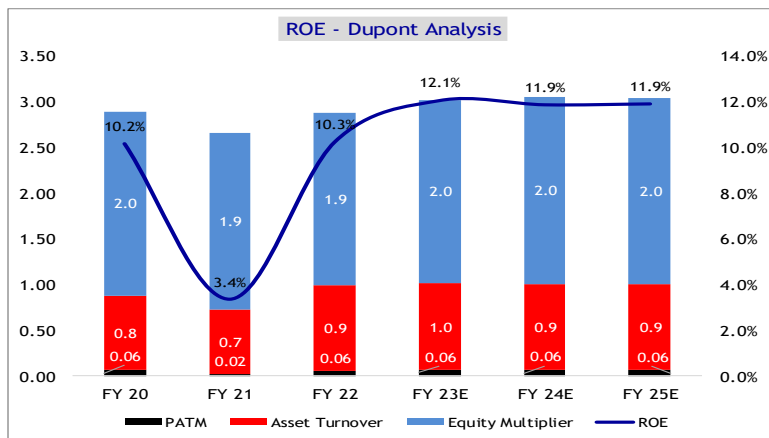
Exhibit 31- Dupont Analysis for ROE & ROCE

Dupont Analysis						
	FY 20	FY 21	FY 22	FY 23E	FY 24E	FY 25E
ROE	10.2%	3.4%	10.3%	12.1%	11.9%	11.9%
PATM	0.06	0.02	0.06	0.06	0.06	0.06
Asset Turnover	0.8	0.7	0.9	1.0	0.9	0.9
Equity Multiplier	2.0	1.9	1.9	2.0	2.0	2.0
ROCE	17%	10%	18%	20%	20%	20%
EBITM	11%	8%	11%	11%	11%	11%
Capital Turnover	1.6	1.3	1.7	2.0	2.0	2.0

Source: GEPL Capital, Company data

..... JKIL to maintain healthy return ratios with modest gains in ROE & ROCE.

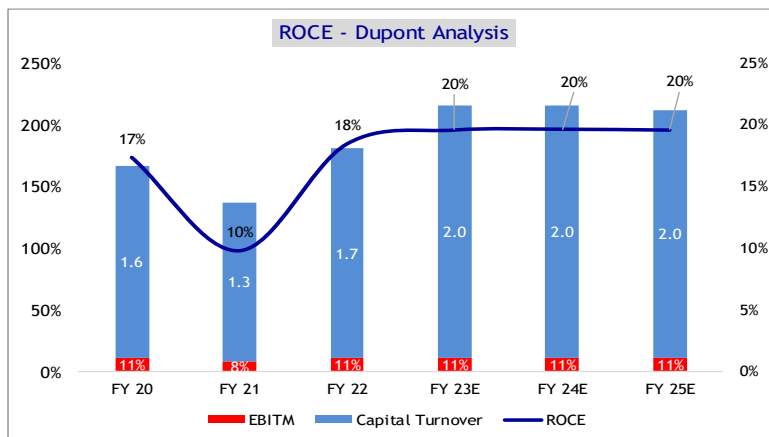
Exhibit 32- Graphical Representation for ROE Dupont



Source: GEPL Capital, Company data

.....ROE to scale up from 10.3% in FY22 to ~12% in FY25E on the back of increase in equity multiplier and asset turnover.

Exhibit 33- Graphical Representation for ROCE Dupont

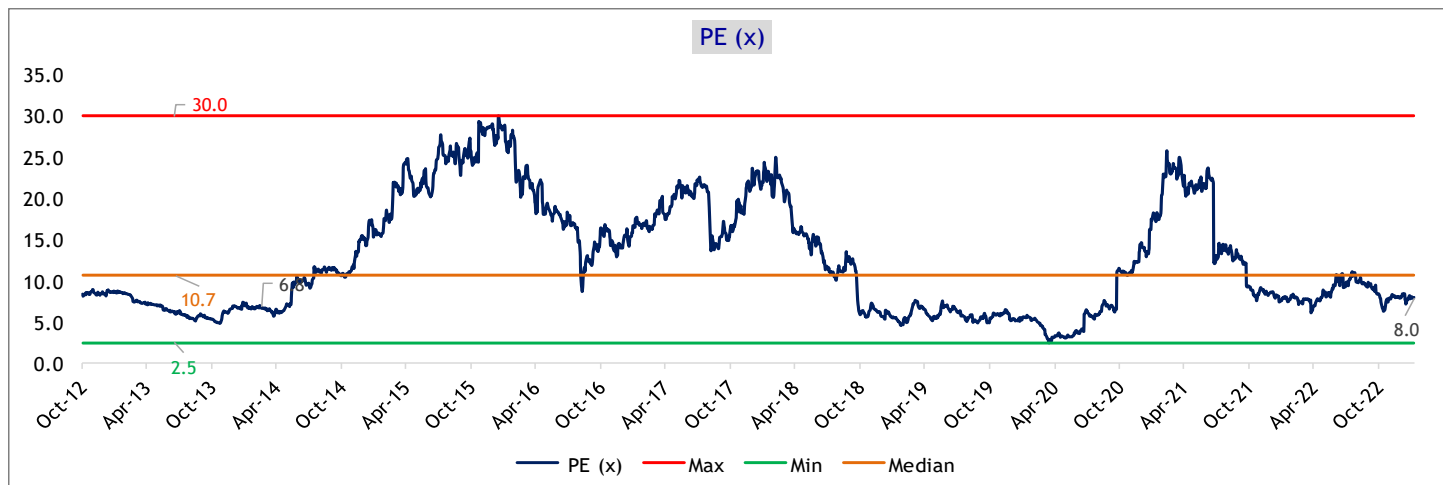


Source: GEPL Capital, Company data

..... Capital turnover to increase towards 2(x) by FY25E from current 1.7(x). The ROCE to improve at 20% from 18% at current.

HISTORICAL VALUATION CHARTS

Exhibit 34- Trades below median of historical TTM PE(x)



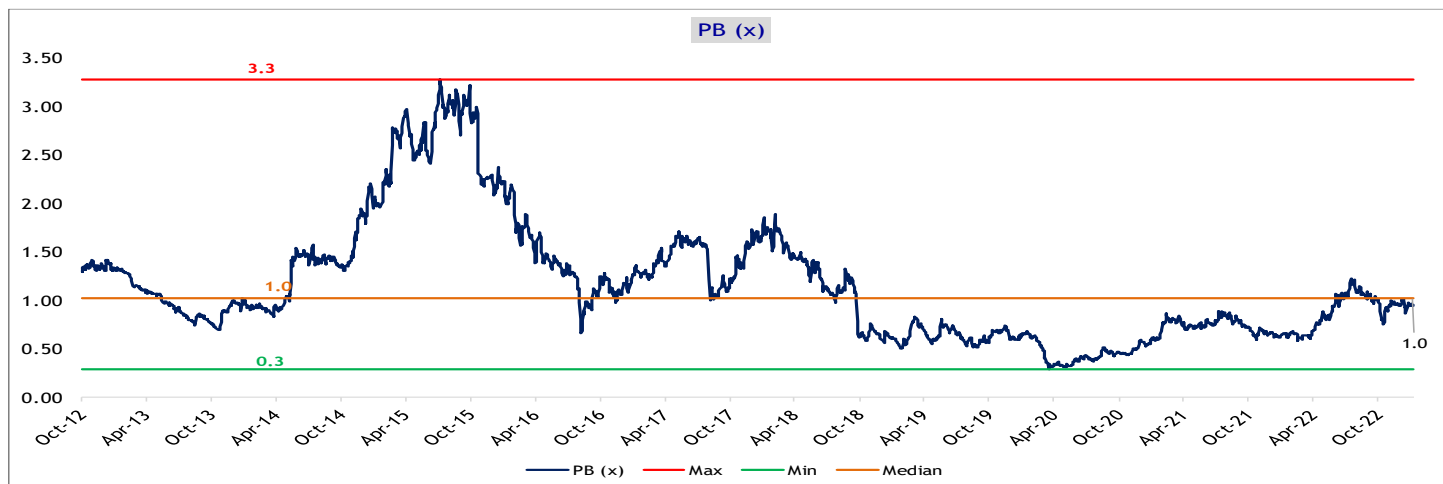
Source: Ace Equity, Company data

Exhibit 35- Historical EV/EBITDA (x)



Source: Ace Equity, Company data

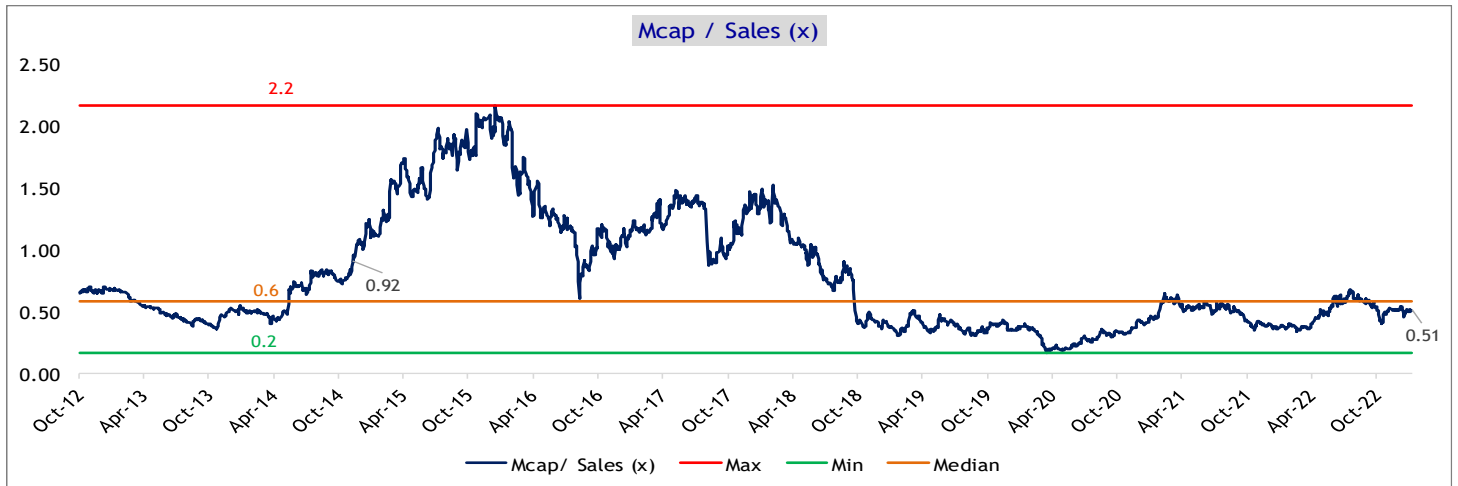
Exhibit 36- Trades lower than PB(x)



Source: Ace Equity, Company data

FINANCIAL ANALYSIS

Exhibit 37- 0.51(x) Mcap to Sales ratio



Source: Ace Equity, Company data

FINANCIAL STATEMENTS

Exhibit 38- Consolidated Balance Sheet Statement

In ₹ Cr.	FY 20	FY 21	FY 22	FY 23E	FY 24E	FY 25E
Shareholder's Fund	1,831	1,887	2,087	2,324	2,588	2,888
Equity Share Capital	38	38	38	38	38	38
Reserves and Surplus	1,793	1,849	2,049	2,286	2,550	2,850
Non-Current Liabilities	145	103	78	106	131	159
Long Term Borrowings	98	58	32	41	55	75
Other Long Term Liabilities	47	45	47	65	75	84
Current Liabilities	1,703	1,655	1,779	2,215	2,578	2,809
Short Term Borrowings	479	407	360	409	518	527
Trade Payables	460	458	573	783	884	964
Other Current Liabilities	764	790	846	1,023	1,176	1,317
Total Equity & Liabilities	3,680	3,645	3,944	4,645	5,297	5,855
Non-Current Assets	1,303	1,375	1,365	1,597	2,010	2,311
Net Fixed Assets	855	806	790	1,053	1,337	1,610
Capital Work In Progress	99	150	152	-	-	-
Non-Current Investments	1	2	2	-	-	-
Other Non-Current Assets	349	418	421	544	673	701
Current Assets	2,376	2,270	2,579	3,048	3,287	3,545
Inventories	313	286	366	502	606	689
Trade Receivables	645	620	888	1,009	1,057	1,271
Cash And Cash Equivalents	495	508	374	344	517	510
Other Current Assets	924	856	951	1,194	1,107	1,076
Total Assets	3,680	3,645	3,944	4,645	5,297	5,855

Source: GEPL Capital estimates, Company data

Exhibit 40- Consolidated Cash Flow Statement

In ₹ Cr.	FY 20	FY 21	FY 22	FY 23E	FY 24E	FY 25E
Reported PBT	233	89	283	346	385	437
Non-operating & EO items	(23)	(18)	(21)	(41)	(47)	(53)
Interest expense	98	104	100	104	120	126
Depreciation	126	144	147	163	207	250
Working capital changes	(82)	90	(65)	(47)	(51)	(217)
Taxes Paid	(93)	(40)	(63)	(86)	(96)	(109)
Operating Cash Flow (a)	259	369	381	438	518	434
Capex	(158)	(79)	(113)	(104)	(284)	(273)
Free Cash Flow	101	289	267	334	234	161
Others	35	-32	22	(35)	(38)	(44)
Investing Cash Flow (b)	(123)	(111)	(91)	(139)	(323)	(316)
Interest expense	-94	-101	-97	(104)	(120)	(126)
Dividend	-21	-9	-8	(22)	(25)	(28)
Others	-33	-160	-120	59	123	29
Financing Cash Flow (c)	(148)	(271)	(224)	(67)	(22)	(125)
Net Cash Flow (a+b+c)	(11)	(13)	65	233	173	(8)
Closing Cash Balance	59	46	111	344	517	510

Source: GEPL Capital estimates, Company data

Exhibit 39- Consolidated Profit and Loss Statement

In ₹ Cr.	FY 20	FY 21	FY 22	FY 23E	FY 24E	FY 25E
Net Operating Revenue	2,971	2,571	3,527	4,092	4,705	5,270
%growth	7%	-13%	37%	16%	15%	12%
COGS	2,049	1,842	2,539	3,052	3,402	3,752
Gross Profit	922	729	988	1,039	1,303	1,518
Operating Expense	493	418	484	454	621	220
EBITDA	429	311	505	585	682	780
EBITDAM%	14.4%	12.1%	14.3%	14.3%	14.5%	14.8%
Other Income	28	25	25	27	30	33
Depreciation & Amr.	126	144	147	163	207	250
EBIT	331	193	383	449	505	564
Interest	98	104	100	104	120	126
Exceptional items	-	-	-	-	-	-
Pre-Tax Profit	233	89	283	346	385	437
Tax Rate%	21.3%	27.8%	27.2%	25.0%	25.0%	25.0%
Tax Provision	50	25	77	86	96	109
Profit After Tax	184	64	206	259	289	328
PATM%	6.2%	2.5%	5.8%	6.3%	6.1%	6.2%
%growth	4%	-65%	222%	26%	11%	14%

Source: GEPL Capital estimates, Company data

Exhibit 41- Consolidated Ratios Analysis

Ratios	FY 20	FY 21	FY 22	FY 23E	FY 24E	FY 25E
Solvency (x)						
Debt / Equity	0.3	0.2	0.2	0.2	0.2	0.2
Debt / EBITDA	1.4	1.7	0.8	0.8	0.8	0.8
Interest Coverage	3.4	1.8	3.8	4.3	4.2	4.5
Liquidity (x)						
Current Ratio	1.4	1.4	1.4	1.7	1.7	1.8
Cash Ratio	0.8	0.8	0.7	0.7	0.8	0.8
Profitability (%)						
Gross Profit	31%	28%	28%	25%	28%	29%
EBITDA	14%	12%	14%	14%	15%	15%
PBT	8%	3%	8%	8%	8%	8%
PAT	6%	2%	6%	6%	6%	6%
Operating Cash	9%	14%	11%	11%	11%	8%
Returns (%)						
ROE	10%	3%	10%	12%	12%	12%
ROCE	17%	10%	18%	20%	20%	20%
ROIC	10%	3%	10%	11%	11%	11%
ROA	5%	2%	5%	7%	6%	6%
Return on Fixed	22%	8%	26%	28%	24%	22%
Turnover						
Working Capital	4.6	4.0	5.0	3.3	4.2	4.8
Inventory	3.3	6.2	7.8	9.4	8.5	8.1
Capital Employed	1.6	1.3	1.7	1.8	1.8	1.8
Payable	3.8	4.0	5.1	6.0	5.6	5.7
Receivable	5.2	4.1	4.7	4.3	4.6	4.5
Asset	0.8	0.7	0.9	1.0	0.9	0.9
Days						
Cash Conversion Cycle	83	57	53	84	81	86
Receivable Day	70	90	78	113	111	113
Payable Day	97	92	72	81	89	90
Inventory Turnover	110	59	47	52	59	63

Source: GEPL Capital estimates, Company data

VALUATION & RECOMMENDATION

- H.G. infra Engineering Ltd.'s stock is trading at forward PE multiple of 6.3(x) (37% discount to 10.3 (10 yr Median) of forward earnings for FY25E.
- We estimate a CAGR of 15.4% growth in Contract revenue receipts during FY 23E - FY25E period.
- Profit after tax of Rs 328 cr. crore is estimated for FY25E. We Applied a PE (x) multiple of 8(x) (22 discount to 10 yr. Med.) and arrive at a market Capitalization of Rs. 2622 cr. Vs current Market Capitalization Rs 2050 cr.
- A 28% upside is visible as per valuations.
- We initiate coverage on 'J. Kumar Infraprojects Ltd' with 'BUY' rating and a fair price of Rs. 339/share (8x FY25E).

BOARD OF DIRECTORS



- Mr. Jagdish Kumar Gupta, Executive Chairman
- 50+ years of experience in Infrastructure sector
- First generation entrepreneur who led the company in undertaking projects of varied complexities and scale



- Mr. Kamal J. Gupta, Managing Director
- Bachelor in Civil Engineering, joined JKIL in 1996 having 26 years of experience
- Instrumental in Company's foray into Metro segment, spearheaded in design and construction of U/G Metro line 3 including 7 U/G stations



- Dr. Nalin J Gupta, Managing Director
- Commerce Graduate & Member of Indian Institution of Bridge Engineer, Joined JKIL in 1995 having 27 years experience
- Lead new initiatives by venturing into Metro Elevated and U/G Projects
- Completed various projects like Metro, River Bridges, Flyovers, Cable stayed Skywalks, Segmental Bridges, ROBs



- Mr. Raghav Chandra, Independent Directors
- Masters in Public Administration from • Harvard University, USA MSc. in Mathematics.
- Former Chairman of NHAI. 1982 batch IAS , held key positions with Central and State Government at various levels.



- Mr. Siddharth Kapoor, Independent Directors
- Chartered Accountant (rank holder), CS and GAMP from ISB.
- He is currently on the Board of Noida International Airport; Advisor AIF SBI MF.
- Track record of over two decades in strategic leadership and leading complex businesses



- Ms. Archana S. Yadav, Independent Directors
- Chartered Accountant with over 15 years of experience
- A PGDBM holder, she has also Cleared Forensic Audit & Fraud Detection Course by ICAI
- She has been Appointed as GST Faculty by ICAI for knowledge sharing.

MAJOR COMPLETED PROJECTS & MODERN EQUIPMENTS

Exhibit 42- Completed projects



Mumbai Metro Line 2A



Mumbai Metro Line 7



Delhi Underground Metro



Delhi Elevated Metro



Ahmedabad Metro



ESIC Hospital Cum Medical College- Alwar



JNPT - Mumbai



Panjarapol Flyover



Grant road Skywalk



Amar Mahal Flyover



Chheda Nagar Flyover Part 1



BKC - Chunabhatti Flyover

Source: GEPL Capital estimates, Company data

Exhibit 43- Fleet of Modern Equipments



TBM Machine



Piling Machine



Casting Yard



Dumper / Tipper



RMC Plant



Segment Rolling



Launching Girder



Telescopic Crane



Straddle Carrier

Source: GEPL Capital estimates, Company data

Recommendation Rating	Expected Absolute Return (%) over 12 months
BUY	>15%
ACCUMULATE	<10% and >15%
NEUTRAL	<-10% and <10%
REDUCE	>-10% and <-20%
SELL	>-20%

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Reg./Corp. Office: D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

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